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*02 MAY 9 2002
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May 9, 2002

Via Hand-Delivery

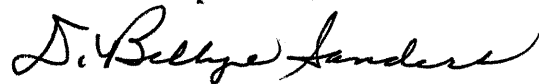
K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

**Re: Petition of Chattanooga Gas Company for Approval of Change in
Purchase Gas Adjustment
Docket No. 02-00383**

Dear Mr. Waddell:

Enclosed you will find the original and 13 copies of: (1) a revised Exhibit A to the above referenced Petition; (2) a revised Exhibit WHN-1 to William H. Novak's pre-filed testimony;* (3) revised page 1 of Exhibit WHN-2 to William H. Novak's testimony; and (4) revised page 5 of Exhibit WHN-2 to William H. Novak's testimony. These exhibits were revised to delete the lost and unaccounted-for gas cost component from the Fixed Rate PGA Formula in the Tariff (Exhibit A and Exhibit WHN-1) and the Pro Forma Fixed Rate PGA Calculation in Exhibit WHN-2. This item was revised because the cost of lost and unaccounted-for volumes are included in the Sales and Supply Volume Reconciliation on Page 6 of WHN-2 and reflected on line 1 of page 1 of WHN-2.

Sincerely,



D. Billye Sanders
Attorney for Chattanooga Gas Company

DBS:lmb

Enclosures

cc: Hal Novak
Archie Hickerson
Earl Burton

* Exhibit A and Exhibit WHN-1 contain the same information.

EXPERIMENTAL FIXED RATE PGA RIDER

APPLICABILITY

This Rider shall apply to the Company's Purchased Gas Adjustment Provision for the Residential General Service (Rate Schedule R-1), Multi-Family Housing Service (Rate Schedule R-4) and Commercial and Industrial General Service (Rate Schedule C-1) Rate Schedules. This Rider shall also supersede the Company's regular Purchased Gas Adjustment Rider for these rate schedules at those times when this Rider is in effect.

EXPERIMENTAL PERIOD

This Experimental Rider is effective for a three-year period beginning October 1, 2002 and ending September 30, 2005. This Rider may be discontinued by either the Company or the Authority upon notice 30 days prior to the annual anniversary date of October 1.

INTENT AND APPLICATION

This Rider is intended to provide for all of the gas needs for the covered rate schedules at a fixed rate PGA, regardless of consumption or weather. A new fixed rate PGA will be implemented for a 12 month period on October 1 of each year during the Experimental Period. By September 1 of each year during the Experimental Period, the Company shall make a pro forma rate filing with the Authority reflecting the current market conditions for wholesale gas prices at that point in time. Such filing shall be made in accordance with the formula contained in the Determination of Fixed Rate. Such filing will not be a guarantee of the Fixed Rate offered on October 1, but shall be indicative of the general market conditions at September 1. Unless the Authority acts to stop the Company from implementing this Rider by September 25, the Company will enter into agreements to lock in the price of gas for the next 12 month period beginning October 1. If the TRA acts by September 25 to halt this Fixed Rate PGA Rider, then this Rider will be suspended for the following 12 months, and the Company shall revert to its regular PGA pricing mechanism.

EXPERIMENTAL FIXED RATE PGA RIDER (Continued)

DETERMINATION OF FIXED RATE

The fixed rate PGA offered under this service shall be set in accordance with the following formula:

$$\left(\frac{\sum_{N_1-N_{12}} [(O_N \times Q_N) + C_1] + \sum_{N_1-N_{12}} [(SI_N \div SQ_N) \times S_N] + [D + C_2]}{\sum_{N_1-N_{12}} (V_N)} \right) + PTR + RP$$

Where:

- N** = Month of Fixed PGA Rate.
- O** = Gas Daily NYMEX Future Rate at the Henry Hub.
- C₁** = Projected cost of financial collar between normal and actual volumes purchased.
- Q** = Projected gas wellhead purchases, excluding industrial usage.
- SI** = Projected cost of gas in storage inventory.
- SQ** = Projected volume of gas in storage inventory.
- S** = Projected gas deliveries from storage inventory, excluding industrial usage.
- D** = Projected annual pipeline demand charges, excluding industrial demand.
- C₂** = Projected cost of financial collar between normal and actual volumes sold.
- V** = Projected sales volumes, excluding industrial usage.
- PTR** = Projected pipeline transportation rate.
- RP** = Risk Premium.

WAIVER OF PRUDENCE AUDITS, ACA AUDITS, AND PGA REQUIREMENTS

Because the Authority has notice of the fixed gas rate to be offered for the next 12 months in advance of its implementation, the prudence of these gas purchases is assumed, and the requirements for prudence audits under Section 1220-4-7-.05 of the Tennessee Regulatory Authority's Purchased Gas Adjustment Rule is waived for these purchases. In addition, because the Company is required to commit to an annual price offering for all consumption in advance, the annual audit of the Company's actual gas costs shall also be waived for the applicable rate schedules, subject to any verification over the accuracy of end-user bills. Finally, because the Company is committing to a one-year price offering, all requirements of the Authority's Purchased Gas Adjustment Rule shall also be waived for the affected rate schedules.

EXPERIMENTAL FIXED RATE PGA RIDER

APPLICABILITY

This Rider shall apply to the Company's Purchased Gas Adjustment Provision for the Residential General Service (Rate Schedule R-1), Multi-Family Housing Service (Rate Schedule R-4) and Commercial and Industrial General Service (Rate Schedule C-1) Rate Schedules. This Rider shall also supersede the Company's regular Purchased Gas Adjustment Rider for these rate schedules at those times when this Rider is in effect.

EXPERIMENTAL PERIOD

This Experimental Rider is effective for a three-year period beginning October 1, 2002 and ending September 30, 2005. This Rider may be discontinued by either the Company or the Authority upon notice 30 days prior to the annual anniversary date of October 1.

INTENT AND APPLICATION

This Rider is intended to provide for all of the gas needs for the covered rate schedules at a fixed rate PGA, regardless of consumption or weather. A new fixed rate PGA will be implemented for a 12 month period on October 1 of each year during the Experimental Period. By September 1 of each year during the Experimental Period, the Company shall make a pro forma rate filing with the Authority reflecting the current market conditions for wholesale gas prices at that point in time. Such filing shall be made in accordance with the formula contained in the Determination of Fixed Rate. Such filing will not be a guarantee of the Fixed Rate offered on October 1, but shall be indicative of the general market conditions at September 1. Unless the Authority acts to stop the Company from implementing this Rider by September 25, the Company will enter into agreements to lock in the price of gas for the next 12 month period beginning October 1. If the TRA acts by September 25 to halt this Fixed Rate PGA Rider, then this Rider will be suspended for the following 12 months, and the Company shall revert to its regular PGA pricing mechanism.

EXPERIMENTAL FIXED RATE PGA RIDER (Continued)

DETERMINATION OF FIXED RATE

The fixed rate PGA offered under this service shall be set in accordance with the following formula:

$$\left(\frac{\sum_{N_1-N_{12}} [(O_N \times Q_N) + C_1] + \sum_{N_1-N_{12}} [(SI_N \div SQ_N) \times S_N] + [D + C_2]}{\sum_{N_1-N_{12}} (V_N)} \right) + PTR + RP$$

Where:

- N** = Month of Fixed PGA Rate.
- O** = Gas Daily NYMEX Future Rate at the Henry Hub.
- C₁** = Projected cost of financial collar between normal and actual volumes purchased.
- Q** = Projected gas wellhead purchases, excluding industrial usage.
- SI** = Projected cost of gas in storage inventory.
- SQ** = Projected volume of gas in storage inventory.
- S** = Projected gas deliveries from storage inventory, excluding industrial usage.
- D** = Projected annual pipeline demand charges, excluding industrial demand.
- C₂** = Projected cost of financial collar between normal and actual volumes sold.
- V** = Projected sales volumes, excluding industrial usage.
- PTR** = Projected pipeline transportation rate.
- RP** = Risk Premium.

WAIVER OF PRUDENCE AUDITS, ACA AUDITS, AND PGA REQUIREMENTS

Because the Authority has notice of the fixed gas rate to be offered for the next 12 months in advance of its implementation, the prudence of these gas purchases is assumed, and the requirements for prudence audits under Section 1220-4-7-.05 of the Tennessee Regulatory Authority's Purchased Gas Adjustment Rule is waived for these purchases. In addition, because the Company is required to commit to an annual price offering for all consumption in advance, the annual audit of the Company's actual gas costs shall also be waived for the applicable rate schedules, subject to any verification over the accuracy of end-user bills. Finally, because the Company is committing to a one-year price offering, all requirements of the Authority's Purchased Gas Adjustment Rule shall also be waived for the affected rate schedules.

Chattanooga Gas Company
Pro Forma Fixed Rate PGA Calculation

Exhibit WHN-2

Page 1 of 6

Line No.		Amount	
1	Commodity Cost Component	\$24,891,557	A/
2	Storage Cost Component	9,451,400	B/
3	Demand Cost Component	11,982,620	C/
4	Lost & Unaccounted-For Gas Cost Component	0	D/
5	Total Gas Cost	\$46,325,578	
6	Projected Sales Volumes (Dkt)	8,769,033	E/
7	Gas Cost Rate per Dkt	\$5.2829	
8	Pipeline Transportation Rate per Dkt	0.0600	F/
9	Delivered Cost per Dkt	\$5.3429	
10	Delivered Cost per Ccf	0.5503	G/
11	Risk Premium per Ccf	0.0500	H/
12	Fixed Rate PGA per Ccf	\$0.6003	

NOTE: Pro forma results based on market conditions at March 1, 2002.

A/ Exhibit WHN-2, Page 2.

B/ Exhibit WHN-2, Page 3.

C/ Exhibit WHN-2, Page 4.

D/ Eliminated

E/ Exhibit WHN-2, Page 6.

F/ Weighted Average of Pipeline Rates for E. TN/TN and Southern Natural Gas

G/ Average BTU rate of 3.0%.

H/ Approved overall rate of return is 9.08%.

Chattanooga Gas Company
 Pro Forma Fixed Rate PGA Calculation
 Lost & Unaccounted-For Cost Component Calculation

Exhibit WHN-2
 Page 5 of 6

Line No.									
1	October, 2002								
2	November	This Page Eliminated							
3	December								
4	January, 2003								
5	February								
6	March								
7	April								
8	May								
9	June								
10	July								
11	August								
12	September								
13	Total								

NOTE: Pro forma results based on market conditions at March 1, 2002.

A/ Exhibit WHN-2, Page 2.
 B/ Exhibit WHN-2, Page 3.
 C/ Exhibit WHN-2, Page 6.